

南興集團有限公司  
**NAM HING HOLDINGS LIMITED**  
**(Incorporated in Bermuda with limited liability)**  
**(the “Company”)**

**Terms of Reference for the Audit Committee**

These terms of reference were approved and adopted by the resolutions of the board of directors of the Company (the “**Board**”) passed on 26 July 2005.

**1. Membership**

- 1.1 Members of the Audit Committee shall be appointed by the Board.
- 1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Audit Committee must be independent non-executive directors (“**INEDs**”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 1.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of 1 year commencing on the date of his ceasing:
- (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,
- whichever is the later.

**2 Chairman**

- 2.1 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

**3 Secretary**

- 3.1 The company secretary shall be the secretary of the Audit Committee.
- 3.2 In the absence of the secretary of the Audit Committee, the members present at the meeting of the Audit Committee shall elect another person as the secretary.

## **4 Quorum**

- 4.1 The quorum for meetings of the Audit Committee shall be any two members.
- 4.2 A duly convened meeting of the Audit Committee at which a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

## **5 Frequency of meetings**

- 5.1 The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee shall be held as and when required.
- 5.2 The external auditors may request a meeting if they consider that one is necessary.

## **6 Attendance at meetings**

- 6.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication.
- 6.2 The finance director, the head of internal audit (if any), and a representative of the external auditors shall normally attend meetings along with the members of the Audit Committee. However, at least once a year the Audit Committee shall meet with the external auditors and internal auditor (if any) without executive Board members present.
- 6.3 The secretary of the Audit Committee (or his/her delegate) shall attend all meetings of the Audit Committee to take minutes.

## **7 Notice of meetings**

- 7.1 A meeting of the Audit Committee may be convened by any of its members, or by the secretary of the Audit Committee at the request of any of its members or at the request of the external auditors.
- 7.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days shall be given of a regular meeting of the Audit Committee, and such notice shall be sent to each member of the Audit Committee, and to any other person invited to attend. For all other meetings of the Audit Committee, reasonable notice shall be given.
- 7.3 In respect of regular Audit Committee meetings, and so far as practicable in all other cases, an agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as agreed).

- 7.4 Any member of the Audit Committee shall be entitled, by notice to the secretary of the Audit Committee, to include other matters relevant to the functions of the Audit Committee in the agenda of an Audit Committee meeting.

## **8 Minutes of meetings**

- 8.1 The secretary of the Audit Committee (or his/her delegate) in attendance at the meetings of the Audit Committee shall minute in sufficient detail the matters considered and decisions reached at such meetings. The minutes shall also include any concerns raised by any member of the Audit Committee and/or dissenting views expressed.
- 8.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Audit Committee shall not be counted towards the quorum and he must abstain from voting on any resolution of the Audit Committee in which he or any of his associates has a material interest, unless the exceptions set out in note 1 to Appendix 3 of the Listing Rules apply.
- 8.3 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comment and records respectively, in both cases within a reasonable time after the meeting. Once the minutes are signed, the secretary shall circulate the minutes and reports of the Audit Committee to all members of the Board.
- 8.4 Minutes of the Audit Committee shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

## **9 Annual general meeting**

- 9.1 The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to answer questions at the Annual General Meeting on the Audit Committee's activities and their responsibilities.

## **10 Other regulations governing the meetings and proceedings of the Audit Committee**

- 10.1 Unless otherwise specified above, the provisions contained in the Company's By-laws for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

## **11 Duties**

The duties of the Audit Committee are as follows:-

#### 11.1 Relationships with the Company's auditors

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard;
- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to ensure co-ordination where more than one audit firm is involved; and
- (e) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

#### 11.2 Review of financial information of the Company

- (a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee shall focus particularly on:-
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

- (b) in regard to 11.2(a) above:-
  - (i) members of the Audit Committee must liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant; and
  - (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors.

### 11.3 Oversight of the Company's financial reporting system and internal control procedures

- (a) to review the Company's financial controls, internal control and risk management systems;
- (b) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (c) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (d) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (e) to review the group's financial and accounting policies and practices;
- (f) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters set out herein and, in particular, the matters required to be performed by the Audit Committee under the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules (the "**Code**");
- (i) to consider other topics, as defined by the Board; and
- (j) to discuss problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of the management where necessary).

## **12 Reporting responsibilities**

- 12.1 Where the Board disagrees with the Audit Committee's views on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendations. The Board shall include in the same report the reason(s) why the Board has taken a different view.
- 12.2 The Audit Committee shall compile a report to shareholders on its role and work performed by it during the year in discharging its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results and system of internal control, and its other duties set out in the Code, for inclusion in the Company's Corporate Governance Report.
- 12.3 The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

## **13 Others**

- 13.1 The Audit Committee shall be provided with sufficient resources to discharge its duties.
- 13.2 All members of the Audit Committee shall have access to the advice and services of the secretary of the Audit Committee with a view to ensuring that procedures of the Audit Committee and all applicable rules and regulations are followed.
- 13.3 In the event that the Audit Committee or any member of the Audit Committee requires access to outside independent professional advice in connection with its/his duties, a request may be made to the Board through the company secretary. All such requests shall be processed in accordance with the Company's pre-defined procedures for seeking independent professional advice at the Company's expense.
- 13.4 Every member of the Audit Committee shall ensure that he can give sufficient time and attention to his duties as a member of the Audit Committee. He shall give the Company the benefit of his skills and expertise through regular attendance and active participation.

## **14 Authority**

- 14.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any reasonable request made by the Audit Committee.
- 14.2 The Audit Committee and each of its members shall have separate and independent access to the Company's senior management.

**15 Publication of the terms of reference of the Audit Committee**

- 15.1 The terms of reference of the Audit Committee will be posted on the website of the Company, and will be made available on request.